Tysons

Methods of Financing Available to Fairfax County

Tyson's Committee of the Planning Commission

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Methods of Long Term Financing

General Fund and General Debt Impact

- Grants from federal, state or local sources
- General Obligation Bonds
- Lease Revenue Bonds through a conduit issuer - supported by General Fund Revenues (can be used for PPTA/PPEA)
- Operating Lease (supported by the General Fund or other public funds)
- Use of Moral Obligation to support external public revenue source
- Tax Increment Financing

Special Tax Districts

- Sanitary, Transportation Improvement, and Service Districts
- Community Development Authorities

Private financing (through PPTA/PPEA)

Any form of debt will impact the County's debt ratios to some extent

Public Financing Options

General Fund and General Debt Impact

- **Grants from Federal, state or local sources:** Best efforts will be ongoing to identify outside grant revenues or general funds to limit borrowing.
- **General Obligation Bonds:** Used for broad area improvements (i.e., transportation) and for smaller area improvements of general benefit on public land (i.e., streetscapes). Long term debt and recurring expenditure impact. Improvements tend to lag behind needs; insufficient capacity to fund the magnitude of projects now under consideration. Highest debt rating (AAA); lowest possible interest cost.
- **Lease Revenue Bonds** through Conduit Issuer (EDA or FCRHA): Used primarily for facilities (office buildings, schools, parks, community centers); general fund and debt impact; subject to annual appropriation – one notch below G.O. debt rating.
- **Operating Lease:** supported directly as an operating expense from the general fund or other fund as a facility lease. Not used currently though could be used to support a PPEA. High cost attributable to cost of private financing and profit, but no debt impact. Difficult to achieve.

Public Financing Options

- **<u>Use of Moral Obligation</u>** to support external public revenue source: Used to support EDA Metro parking bonds and Route 28 transportation improvement bonds to improve debt ratings and reduce interest costs. No impact to the general fund or debt capacity unless payment is actually made. Both sets of issues have multiple layers of protection to protect the general fund.

- **<u>Tax Increment Financing</u>:** Funding mechanism only. Obligates portion of future "additional" tax revenue generated by the development. Usually works best for relatively small geographic areas. Examples in Virginia are limited in scope and are usually coupled with a CDA governance and funding structure. In theory, creates a net benefit to the general fund that may or may not cover cost of increased services; debt impact will be the same as the net revenue impact – positive, negative or neutral as determined by project pro forma and economic impact analysis. Bonds are usually unrated and carry the highest interest rates (up to 4% higher than G.O. debt which considerably reduces general fund leverage.)

Public Financing Options

Special Tax Districts

- **Sanitary Districts:** Broad range of purposes and revenue options. Limited use in Fairfax to date (McLean and Reston Community Centers; trash collection). Uniform taxation; no direct general fund or debt impact. Board controlled.

- **Transportation Improvement Districts:** Used to fund large projects of general benefit to all users in an area; voluntary tax by petition of landowners (Route 28, Dulles Rail). Generally requires public support and consensus. No general fund or debt impact.

- **Service Districts:** Generally service oriented, but certain infrastructure may be funded. May be an option for continuing maintenance or operating support. Ad valorem tax. Board established and controlled. (Gypsy Moth)

Public Financing Options

- **Community Development Authorities:** Broad range of infrastructure and services. Established by petition of majority of owners and governed by appointees of the BOS. Flexible tool, funded by ad valorem special taxes or special assessments, as negotiated with petitioners. Typically covers relatively small area (i.e., a single shopping mall; a downtown redevelopment area; a mixed use housing development; single or small group of owners). No general fund or debt impact is intended, unless coupled with tax increment financing. (MOSAIC District in Merrifield)

- County experience is limited. The one CDA has proven to be extremely complex in establishment and administration owing to a number of factors concerning the use of public funds, the degree of control desired by the developer and the tenants, and the use of special assessments as the developer's preferred funding mechanism. The national experience is mixed with such a high degree of failure that CDA's as a group are considered among the riskiest municipal bond investments in today's market.

Public Financing Options

<u>Private Financing</u>

- **<u>Public Private Partnerships:</u>** Primarily used for provision of specific public facilities where there is a confluence of public need and private profit; generally involves leverage of land value and/or public sector assumption of risk to reduce financial and debt impact. In practice, PPEA opportunities tend to jump projects ahead of other priorities if funding support can be seen as non-competitive or not interfering with completion of other projects. Can be used in conjunction with any of the above to reduce cost of the public share of the project.